

SECRET
the cabinet, despite a threat by the Masjumi, Indonesia's
largest Moslem party, to withdraw from Ali's cabinet.

25X1

B. The Moslem Nahdlatul Ulama (NU), third of three major parties in the cabinet, wants to preserve the Ali cabinet but is divided on the question of possible cooperation with the Communists.

1. Despite the recent election of a right-winger as NU party chief, we believe it possible that the NU can be pressured by Ali and Sukarno into remaining in a cabinet dependent on Communist support.

- 5 -

C. The second problem is Communist exploitation of the Sumatran developments.

1. The Communists are already benefitting in North Sumatra from the deposition of the strongly anti-Communist Simbolon.
2. His successor, Ginting, is reported friendly to Communists and has permitted them use of the government radio for broadcasts in his support.
3. As early as mid-November, Ginting was reported under Communist pressure to overthrow Simbolon.
4. In Djakarta, meanwhile, Communist Party newspapers are strongly condemning the Sumatra incidents and bidding for renewed cooperation with Ali.

5. Ali's own newspaper has now charged the US with "cloak and dagger" maneuvers aimed at the Government's downfall.

D. The third political problem is the possibility of chain reaction to Sumatran events in other non-Japanese areas of the Indonesian republic.

1. These outlying areas are discontented over lack of regional autonomy and lack of funds channeled to them from the central government. Coupled with this discontent is dissatisfaction over the Ali cabinet's general inefficiency and its tolerance of high-level corruption.

2. Feeling is particularly strong in the Celebes, where the Army commander has reportedly stated he does not

want the Sumatran defection to "expand," but has confirmed the Celebes' dissatisfaction with rule from Djakarta.

IV. The central government faces the economic squeeze of reduced income as a result of these developments in Sumatra and the future prospect of economic dislocation and loss of further revenue if civil war should erupt. Approximately 65% of Indonesia's foreign exchange is derived from Sumatran exports.

- A. If civil war starts in north Sumatra, the chances are against Simbolon's ultimate success but action probably would be long drawn-out.
- B. Any Sumatran conflict would encourage dissident movements already in existence to renew their activities and would stimulate federal and separatist sentiment in outlying

areas of the Celebes, South Moluccas, and possibly Borneo.

V. Most of the prospects developing out of the Sumatran defections threaten damage to US interests.

- A. The permanent displacement of Simbolon from active command would remove the last of the outstandingly anti-Communist and pro-Western commanders who once led the Indonesian army.
 - 1. Simbolon will probably be unable to regain an influential position in the army, whether he surrenders by 5 January or not.
- B. If, on the other hand, the Ali cabinet should capitulate to Simbolon's threat of civil war and resign, any new parliamentary cabinet would have its membership determined by Sukarno and would share all the vices of the present one.

- 9 -

CONFIDENTIAL

C. If, instead, the Ali Cabinet manages to survive, it can be expected to be considerably more friendly towards the Communists, who have proved themselves an alternative source of support for the National Party.

D. The adverse effect on US interests of still another alternative--a coalition cabinet including the Communists--is obvious.

VI. It now appears unlikely that Sukarno--who is still the controlling power in Indonesian affairs--will accept the alternative proposed both by Army dissidents and Indonesian conservatives: appointment of a "presidential" (that is, free-of-Party) cabinet under himself or under ex-vice-president Hatta.

A. However, this is very nearly the only alternative that

Others hope for a strong and responsible government in
Indonesia.

Approved For Release 2002/02/12 : CIA-RDP79R00890A000800030003-3

B. Sukarno's hand might be forced, if the security situation is worsened, by further defections in the outer islands, or other developments.

1. In this connection, Indonesia's national chief of police (who controls and 18,000 man "mobile brigade" scattered in small units throughout the archipelago) is reliably reported to favor the cause of the army dissidents.

- 11 -

CONFIDENTIAL